

# Debt Service Fund

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## Revenue assumptions:

### Current property taxes...

- for 1999 are projected as certified, with an assumed under-collection (delinquency) of 5%.
- assume a 10-mill levy for all years.
- assume a 3.0% annual growth rate in assessed valuation.

### Delinquent tangible property tax...

- (for prior years) is projected at 3.5% (historical average) of current property taxes levied.

### Payments in lieu of property tax (PILOT)...

- are based on the City share of these payments from outstanding industrial revenue bonds.

### Current special assessments (SAs)...

- for 1999 and thereafter are the actual special assessments certified, less any advance or prepayments, as of December 31, 1998.
- assume a 5% delinquency rate.
- will change as new assessments are issued and as owners opt for advance payment of assessments.

### Prepaid special assessments...

- are from the City's payment schedules for the special assessments, as of December 31, 1998.

### Delinquent special assessments...

- (for prior years) estimates are based on the historical relationship (3.5%) to total current and new special assessments.

### Payments in lieu of special assessments (PILOSA)...

- are developed by the Finance Department for GO/SA debt service paid directly by the Water, Sewer, and Airport utilities.

### Utility delinquent special assessments...

- are paid by the Water, Sewer and Storm Water utilities.
- are for unpaid general obligation assessments related to water and sewer projects.

### New special assessment revenues...

- are projected to cover debt service (principal and interest) payments for new special assessment projects, less 5% delinquency.
- relate to debt service payment schedule assumptions below, under "Expenditure Assumptions."

## Motor vehicle property taxes...

- for 1999 are based on estimates provided by the Sedgwick County Clerk, as authorized by State statute.
- for 1999 and thereafter, are assumed to be somewhat flat, the result of graduated reduction in assessed value (related to April, 1995, State legislation).
- are partially offset by a growth rate of 4.2%.
- are projected first as one total amount, then allocated to the General Fund and the Debt Service Fund.
- fluctuate between the General Fund and the Debt Service Fund because of the state allocation formula, which relates to the prior (budget) year share of the current property tax levy for each fund.

## Interest earnings...

- are based on an assumed investment earnings rate (4.95%) relative to unencumbered fund balance and other total (current) revenues in the Debt Service Fund.

## City Hall parking/rent revenues...

- are based on utilization of the City Hall parking facility pursuant to estimates provided by the Property Management division.

## Transfers in...

- from the Tourism and Convention Fund and the Landfill Fund are based on debt service schedules developed by the Department of Finance for general obligation projects related to these funds.
- for local sales tax (LST) projects include the amounts for actual (current) debt service (principal and interest).
- support debt service for the previous sales tax bond issues in 1992 and 1996 for \$25 million and \$50 million, respectively.

## Expenditure assumptions:

### (GO) general obligation debt service...

- is based on actual payment schedules for current GO debt funded by property tax and special assessments.

### (GO/LST) general obligation/local sales tax debt service...

- reflects the actual debt service schedule for current general obligation debt funded by the local sales tax.

**Fiscal agent/other...**

- represents an estimate of bond issuance costs based on .1% of debt service for all current GO (paid by property tax, SAs and LST).

**Temporary note repayment...**

- represents a source available for pay-as-you-go financing.
- fluctuates to maintain fund balance at \$2 million.

**New GO debt service paid from property tax...**

- is estimated as the debt service (principal and interest payments) needed to fund approved and potential projects.
- (for projection purposes) assumes payments spread over a 10-year period at a 5% cost (computed annually) on outstanding principal; assumes commencement with one interest payment for six months of bond issuance, and principal payment beginning in the year following.

**New special assessment debt service...**

- is estimated as the principal and interest needed for special assessment projects of \$12.4 million annually.
- (for projection purposes) assumes payments are spread over a 15-year period at a 5.5% cost (computed annually) on outstanding principal; assumes commencement of debt service with one interest payment from six to 12 months after bond issuance, depending on certification to the County, and principal payments beginning in the year following.

***Fund balance (December 31)...***

- on December 31, 1999, is projected to be \$2.0 million or 4% of fund revenues.
- may be increased to a greater percentage of fund revenues by reducing the amount of temporary notes issued.

# Debt Service Fund

**Mission.** The Debt Service Fund provides the payments required for governmental debt issued and collateralized by the full faith and credit of the City. Funding sources for debt payments include property taxes, special assessments, revenues generated from bond proceeds, interest earnings, miscellaneous sources.

**Overview.** The Debt Service Fund is administered according to the Debt Policies of the City.

The City's Debt Policies are as follows: Long-term borrowing (bonds) will be confined to capital improvements and self-insurance programs; the City will use short-term debt (notes) for bond anticipation purposes; revenue bonds will be issued (when practical) for City enterprise operation debt to reduce the amount of the City's general obligation debt; the City will maintain an aggressive retirement program for existing debt, 10 years for City at-large debt and 15 years for special assessment debt; the City will use general obligation debt

to fund general purpose public improvements which cannot be financed from current (pay-as-you-go) revenues; the City will use special assessment general obligation debt to fund special benefit district improvements; and, the City will maintain a Debt Service Fund reserve of \$2 million at year-end.

**Finance and Operations.** The current budget proposes to maintain property tax support at the 10 mill level. No increases in property tax rates are assumed. Motor vehicle property taxes are projected to be flat, due to 1995 state legislation reducing the assessment ratios on motor vehicles. These reductions are offset, however, by an estimated 4.2 percent increase in valuations.

Monies remaining after meeting debt service payments and the \$2 million fund balance requirement are budgeted as temporary note repayments for pay-as-you-go projects.

**Debt Service Fund Budget Summary**

	<b>1998 Actual</b>	<b>1999 Adopted</b>	<b>1999 Revised</b>	<b>2000 Adopted</b>	<b>2001 Approved</b>
<b>Budgeted revenue:</b>					
General Property Tax	16,550,224	17,575,970	17,325,240	18,825,530	19,483,540
Special Assessments	23,824,480	22,971,900	22,730,240	23,475,730	23,492,630
Motor/Recreational Vehicle Tax	3,126,184	3,059,130	3,157,450	2,936,420	3,024,520
Interest Earnings	944,184	1,132,910	1,132,910	1,152,760	1,156,550
Transfers In/Other	18,595,181	13,384,510	13,518,960	12,619,190	12,337,810
<b>Total Debt Service Fund Revenue</b>	<b>63,040,252</b>	<b>58,124,420</b>	<b>57,864,800</b>	<b>59,009,630</b>	<b>59,495,050</b>
Existing Debt	43,588,795	41,323,850	45,945,930	45,401,160	43,471,210
Temporary Notes	11,378,653	11,777,750	20,517,570	10,110,370	8,775,220
New Debt	0	5,022,820	0	3,498,100	7,248,620
<b>Total Debt Service Fund Expenditures</b>	<b>54,967,448</b>	<b>58,124,420</b>	<b>66,463,500</b>	<b>59,009,630</b>	<b>59,495,050</b>
Revenue Over (Under) Expenditures	8,072,804	0	(8,598,700)	0	0
<b>Debt Service Fund Balance</b>	<b>10,598,695</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>